



April 13, 2006

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street & Constitution Avenue, NW
Washington, DC 20551
regs.comments@federalreserve.gov

Re: Proposed Interagency Guidance on Concentrations in Commercial Real Estate

Ladies and Gentlemen:

Northwest Georgia Bank ("NWGB") appreciates the opportunity provided by the Agencies to comment upon the recently published Proposed Interagency Guidance on Concentrations in Commercial Real Estate ("Guidance"). The Guidance, which raises the requirements for risk management by banks and savings associations that are deemed to have a concentration in commercial real estate, would have a significant adverse impact upon NWGB and our local community. Accordingly, we recommend that the Agencies not issue the Guidance in its current form.

Some of the serious concerns of NWGB with the Guidance are as follows:

1. The new definition of a concentration in commercial real estate combines several different types of commercial real estate lending and establishes triggers for additional action without any attempt to distinguish the different levels of risk posed by each type. This would result in NWGB being deemed to have a high-risk concentration in commercial real estate.
2. NWGB would need to invest significant time, money, and effort to counter the assumption that we have an unsafe concentration of commercial real estate loans. The confusing wording of the Guidance and the failure to reflect in the risk management practices the ability to adjust the practices according to the size and risk of the portfolio aggravates this.
3. The Guidance strongly suggests that any bank deemed to have a concentration in community real estate loans will be required to hold significantly higher levels of capital than other banks because of a conclusion that a large portfolio of commercial real estate loans, as newly defined, is inherently riskier.
4. Similarly, the Guidance suggests that banks with large portfolios of commercial real estate loans should have significantly higher reserves for loan losses. Such increased reserves should follow only if a portfolio in fact presents a higher level of risk.
5. The Guidance may significantly reduce NWGB's ability to fund commercial real estate loans in our community, which would have a negative impact on the Bank and the community.

The Agencies should not issue this one-size-fits-all Guidance. Rather, the existing guidance should be imposed on a case-by-case basis to address any problems in those banks not engaging in commercial real estate lending responsibly. Or, if the Agencies continue with issuing the Guidance, NWGB strongly urges them to revise the Guidance thoroughly to eliminate the areas of confusion and concern. If you have any questions, please feel free to contact me.

Respectfully,

A handwritten signature in cursive script that reads "L Wesley Smith".

L. Wesley Smith
Chairman of the Board/CEO